

1966 Annual Report  
The British American Oil Company Limited  
and Its Affiliated Companies



AR39

*Lee*



# The British American Oil Company Limited

---

## CONTENTS

- 1 Highlights of operations
- 2 Report to shareholders
- 4 Financial review
- 6 Exploration and production
- 10 Supply and transportation
- 12 Manufacturing
- 14 Marketing
- 16 Employee and public relations
- 17 Research and development
- 18 Royalite Oil Company, Limited
- 20 Shawinigan Chemicals Limited
- 22 Superior Propane Limited
- 23 Western Tire and Auto Supply Limited
- 24 Products
- 26 Balance sheet
- 28 Earnings
- 29 Source and use of funds
- 30 Notes to financial statements
- 33 Five year operations summary
- 34 Ten year financial summary

## THE "BLUE RIBBON" LOOK

### Front Cover

The orange-and-blue B-A sign in the white square on the cover is symbolic of the new corporate look of British American Oil, and points up B-A's association with Gulf Oil Corporation and its affiliates throughout the world. A corporate symbol or trademark should have a strong impact and reflect an image of a progressive, forward-looking company. The new colors and sign achieve this. Service stations will benefit from the use of the new colors on lighted signs, and in future months, B-A vehicles, product packages, uniforms and stationery will gradually be converted to B-A's "blue-ribbon" look, symbolic of top quality products and service to meet the needs of today and tomorrow.

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Empress Room of the Park Plaza Hotel, Toronto, at 2:00 p.m. April 20, 1967.

## Highlights of Operations

	1966	1965
<b>Financial</b>		
Earnings for the year	\$ 42,509,000	\$ 38,334,000
Per share	\$ 1.95	\$ 1.76
Total dividends to shareholders	\$ 23,466,000	\$ 21,828,000
Rate per share at year-end	\$ 1.10	\$ 1.00
Shareholders' equity at year-end	\$624,529,000	\$ 547,574,000
Per share	\$ 28.58	\$ 25.09
Capital expenditures	\$ 68,082,000	\$ 53,353,000
Working capital	\$198,369,000	\$101,183,000
Long term debt	\$ 70,877,000	\$ 78,032,000

### Operating (Canada)

		<i>Millions of cubic feet</i>	
Net natural gas produced and sold	98,456		98,671
		<i>Thousands of barrels</i>	
Net crude oil and natural gas liquids produced	24,648		23,400
Crude oil processed	66,530		57,145
Refined products sold	67,940		62,252
		<i>Thousands of pounds</i>	
Petrochemical sales	370,413		352,663

## Report to Shareholders

---

British American's sixtieth year was highly successful, with new peaks reached in operating volumes and earnings.

Consolidated net earnings for 1966 amounted to \$42.5 million, a gain of eleven per cent over 1965 net earnings of \$38.3 million, which included \$1.1 million in extraordinary items. The 1966 earnings were equivalent to \$1.95 per share, compared with \$1.76 per share in the preceding year. The financial and operating results for the year are recorded and commented upon in detail later in this report.

Effective with the dividend payable July 1, 1966, the rate was increased ten per cent. At the current quarterly rate of 27.5 cents per share, annual dividends amount to \$1.10 per share.

The Company passed a significant milestone during the year with the sale of its United States subsidiary, The British-American Oil Producing Company. This sale, approved by the shareholders on May 31, 1966, was the subject of intense study before a final decision was made. The producing company had been an important factor in B-A's earnings for many years. However, it had become apparent that it was in the Company's best interest to sell the producing company and re-invest the net proceeds, after repayment of a substantial amount of indebtedness, in expansion and development of B-A's operations in Canada.

A continuing high level of activity in the national economy was reflected in all areas of the petroleum industry in Canada during 1966. Production of crude oil and natural gas liquids averaged about one million barrels per day, a gain of eight per cent over 1965; exports accounted for two-thirds of this increase. Natural gas sales rose eleven per cent, with growth shared about equally between Canadian and export markets. Sales of petroleum products increased six per cent.

Exploration has continued at a high rate and substantial new reserves are being discovered, particularly in the Rainbow-Zama Lake area of northwestern Alberta. The result has been that the industry in Alberta is now producing at a rate which falls far short of its potential,

and must find additional markets to increase its production more in line with that potential.

This situation is not new or unusual, but, in fact, follows the historical pattern of the petroleum industry throughout the world. Invariably, as new reserves of oil have been discovered, markets have had to be developed for the available production.

For Canadian crude oil, the logical expansion of markets appears to lie in the large consuming areas of the Great Lakes region of the United States. Because of the many economic and political considerations involved, it is not to be expected that any major additional penetration of this market will be achieved overnight. Further, it must be recognized that the success of the Canadian industry in penetrating this market will depend, to a large extent, on its own efforts to provide the necessary pipe line facilities for transporting its crude oil to potential customers in the area at economically attractive prices.

Oil industry performance in 1967 should continue to be strong. The contribution from sales associated with the tourism related to Centennial activities and Expo 67 will provide added impetus.

---

Four Vice-Presidents were appointed since the last Annual Report. F. D. Aaring, formerly B-A's General Manager of the Canadian Production Department, was named Vice-President—Employee Relations. R. E. Harris, formerly General Manager of the Crude and Product Supply Department, was appointed Vice-President—Supply and Transportation. C. G. Mueller, formerly Vice-President of Gulf Oil Corporation's Western Marketing Region, was appointed Vice-President—Marketing for British American, succeeding L. R. Woolsey, who moved to Gulf Oil as Executive Assistant to the Vice-President—U.S. Marketing. Dr. H. S. Sutherland, Chairman of the Board of Shawinigan Chemicals Limited, was appointed Vice-President. He serves as the Company's executive officer for Quebec and the Atlantic Provinces, with headquarters in Montreal, and continues as Chairman of Shawinigan. L. P. Blaser, formerly B-A's Vice-President—Personnel, Crude and Product Supply, and Transportation, re-



British American's Board of Directors. Seated : V. W. T. Scully (Chairman of the Board and Chief Executive Officer, The Steel Company of Canada, Limited, Hamilton, Ontario) ; Beverley Matthews, Q.C. (Partner, McCarthy & McCarthy, Barristers, Toronto, Ontario) ; C. D. Shepard (Chairman of the Board, The British American Oil Company Limited, Toronto, Ontario) ; Charles Hay (President, The British American Oil Company Limited, Toronto, Ontario) ; R. A. Laidlaw (Honorary Chairman, National Trust

Company Limited, Toronto, Ontario) ; F. W. Bruce (President, Aluminum Company of Canada, Limited, Montreal, Quebec). Standing : D. L. Campbell (Vice-President, The British American Oil Company Limited, Toronto, Ontario) ; Gérard Plourde (President, United Auto Parts, Inc., Montreal, Quebec) ; W. H. Browne (President, Moore Corporation, Limited, Toronto, Ontario). Absent: J. R. Gordon (Chairman, Executive Committee, The International Nickel Company of Canada, Limited, New York, N.Y.).

signed from B-A to become World-Wide Co-Ordinator of Refining for Gulf Oil.

O. I. Torkelsen, formerly President of The British-American Oil Producing Company, was appointed area representative of Gulf in South Africa, and also elected Vice-President of Gulf Eastern Company.

The Directors and Officers again wish to record their appreciation of the loyal and enterprising efforts of employees in all parts of the Company, and of the

continuing interest of shareholders. Their combined efforts will be a key factor in the future success of British American.

Special thanks are extended to employees of The British-American Oil Producing Company for their valuable contribution to the growth of B-A. A high percentage of long service employees accepted employment in various divisions of Gulf Oil following the sale of the producing company in July.

On behalf of the Board,

*C. D. Shepard* *F. W. Bruce*

Chairman of the Board.

President.

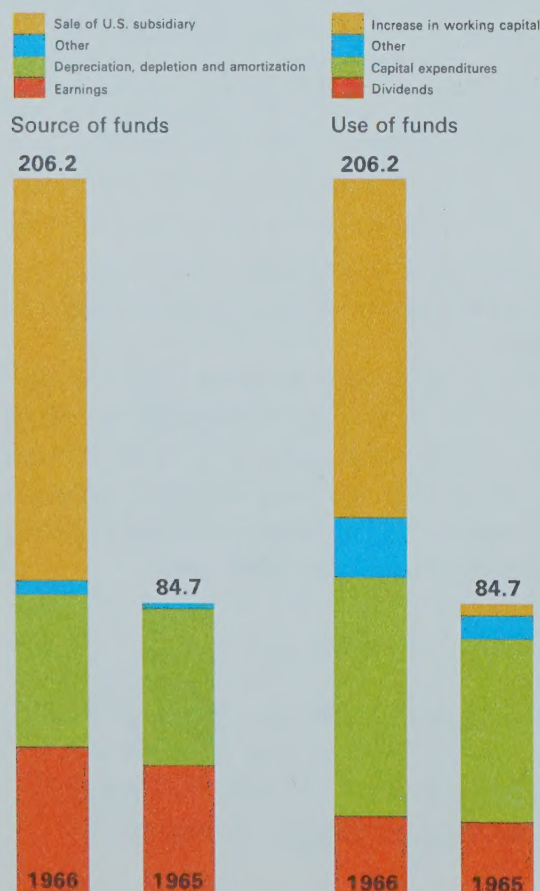
Toronto, Ontario, March 23, 1967.

## Financial Review

**Distribution of before-tax earnings including extraordinary items**  
(Millions of dollars)



**Source and use of funds**  
(Millions of dollars)



**Cash Flow**—A statement of source and use of funds appears with the financial statements on page 29. The above chart graphically depicts the 1966 improvement in B-A's working capital position, which resulted primarily from the sale of The British-American Oil Producing Company.

In 1966 British American achieved a new high in consolidated earnings. Consolidated net earnings increased from \$38.3 million in 1965 to \$42.5 million in 1966, or from \$1.76 per share to \$1.95 per share. A comparative summary of earnings before and after income taxes is contained in Table I. Pre-tax earnings at \$61.5 million were up \$10.2 million, or 20 per cent over 1965, reflecting improved results from Canadian production and refined product operations, together with increased investment and sundry income. Higher production earnings in 1966 were attributable to larger volumes of crude oil and natural gas liquids produced, while refined product earnings improved as a result of reduced product cost, higher sales volumes, and more stable prices.

Earnings of the former United States subsidiary, The British-American Oil Producing Company, are included in the consolidated statements of earnings up to the close of business on July 27, 1966. The non-recurring capital gain of \$57.3 million (Table IV) resulting from the sale of its shares has been credited directly to retained earnings and is not included in earnings for the year. The net proceeds of the sale, after repayment of substantial indebtedness, amounted to \$88 million. This was immediately invested in short term securities.

As a result, there was a substantial improvement in investment income and reduced interest expense, which offset in part the loss of earnings from the U.S. company after July 27.

There were no extraordinary earnings in 1966 to compare with the \$1.1 million received in 1965 from the sale of capital assets and investments.

Income taxes in 1966 totalled \$19 million, up \$6 million from the previous year, or an increase from 59 cents to 87 cents per share. The higher provision for taxes this year was due to the increase in earnings and decreased capital cost allowances, offset in part by higher deductions for leasehold acquisitions.

Significant changes in asset and liability balances during the year reflected the sale of B-A's U.S. producing company. Mainly as a result of this sale, working capital increased \$97.2 million and amounted to \$198.4 million at the year-end, of which \$84 million was in the form of cash and short term investments. The year-end reduction in properties, plants and equipment is a net reflection of the sale of the U.S. subsidiary, and the 1966 provision for depreciation, depletion and amortization, offset in part by capital additions of \$68.1 million for the year. Table II, which provides a comparative breakdown of these expenditures, shows significant increases in expenditures for petrochemical and marketing facilities, and production—all of which reflect the expansion of the Company's operations in Canada.

Long term debt was reduced by \$7.2 million, and preferred shares of subsidiaries amounting to \$5.4 million, which were held by minority interests at the end of 1965, were redeemed or purchased.

At the year-end, the total assets of the Company on a consolidated basis amounted to \$825.6 million, compared with \$798.6 million at the end of 1965. The shareholders' equity interest in these assets increased to \$28.58 per share, compared with \$25.09 per share at the end of 1965, a gain of \$3.49 per share. The capital gain on the sale of the U.S. subsidiary accounted for \$2.62 of this increased equity. The \$23.5 million paid in dividends to B-A shareholders was \$1.6 million more than last year, and reflected an increase in the annual dividend rate from \$1.00 to \$1.10 per share. This increase, announced at the Shareholders' Annual Meeting in April, 1966, was effective with the payment of the second quarter dividend at 27½ cents per share. Statements of operating statistics for the past five years and a financial summary for the past ten years are shown on pages 33 and 34.

**Table I**  
Comparative summary of earnings

	Millions		Per Share	
	1966	1965	1966	1965
Earnings before income taxes	\$61.5	\$51.3*	\$2.82	\$2.35*
Income taxes	19.0	13.0	.87	.59
Earnings for the year	\$42.5	\$38.3*	\$1.95	\$1.76*

\*Includes earnings from extraordinary items of \$1.1 million or 5 cents per share.

**Table II**  
Expenditures on properties, plants and equipment

	1966		1965	
	Millions	Per Cent	Millions	Per Cent
Production	\$20.8	30.6	\$19.7	37.0
Transportation	.7	1.0	.1	.2
Refining	5.1	7.5	9.5	17.8
Petrochemicals	14.1	20.7	6.2	11.6
Marketing	24.6	36.1	16.5	30.8
Other	2.8	4.1	1.4	2.6
Total	\$68.1	100.0	\$53.4	100.0

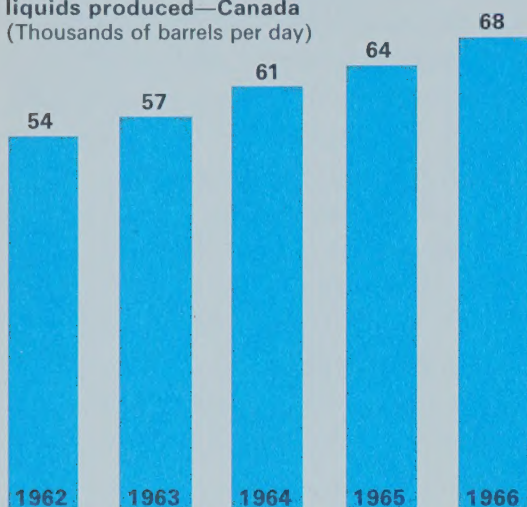
**Table III**  
Analysis of investment in associated and other companies

Millions	December 31	
	1966	1965
Crude oil, gas and product pipe lines	\$ 8.5	\$ 9.5
Gas plants	.6	.6
Chemical manufacturers	1.0	.8
Other related businesses	1.4	1.5
Total	\$11.5	\$12.4

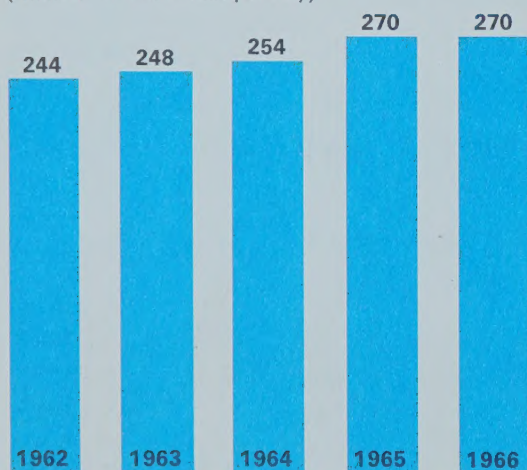
**Table IV**  
Analysis of capital gain on disposal of The British-American Oil Producing Company

	Millions
Proceeds from sale of shares (\$182,544,000 U.S.)	\$196.0
Original investment and retained earnings of The British-American Oil Producing Company from inception to July 27, 1966, realized on sale of shares	\$138.5
Expenses incurred re sale	.2
Capital gain credited to retained earnings	\$ 57.3

**Net crude and natural gas liquids produced—Canada**  
(Thousands of barrels per day)



**Net natural gas produced and sold—Canada**  
(Millions of cubic feet per day)



## Exploration and Production

Net production of crude oil and natural gas liquids by B-A and its affiliates in Canada totalled 67,500 barrels per day, up from 64,100 barrels per day in 1965. Net natural gas produced and sold remained unchanged from the 1965 level of 270 million cubic feet daily.

A decrease in the number of exploratory wells drilled in Canada from 80 in 1965 to 53 in 1966 reflected a very selective wildcat program in the important Rainbow-Zama Lake area of northwestern Alberta. However, drilling expenditures increased due to limited access and transportation problems encountered in this muskeg area. Of ten successful wells drilled during the year, five were located in the Rainbow-Zama Lake area where B-A has a particularly strong land position.

In development drilling, B-A participated in the completion of 79 gross development wells, compared with 104 gross wells the previous year. The decline was due to the completion of development programs in older fields and wider well spacing regulations.

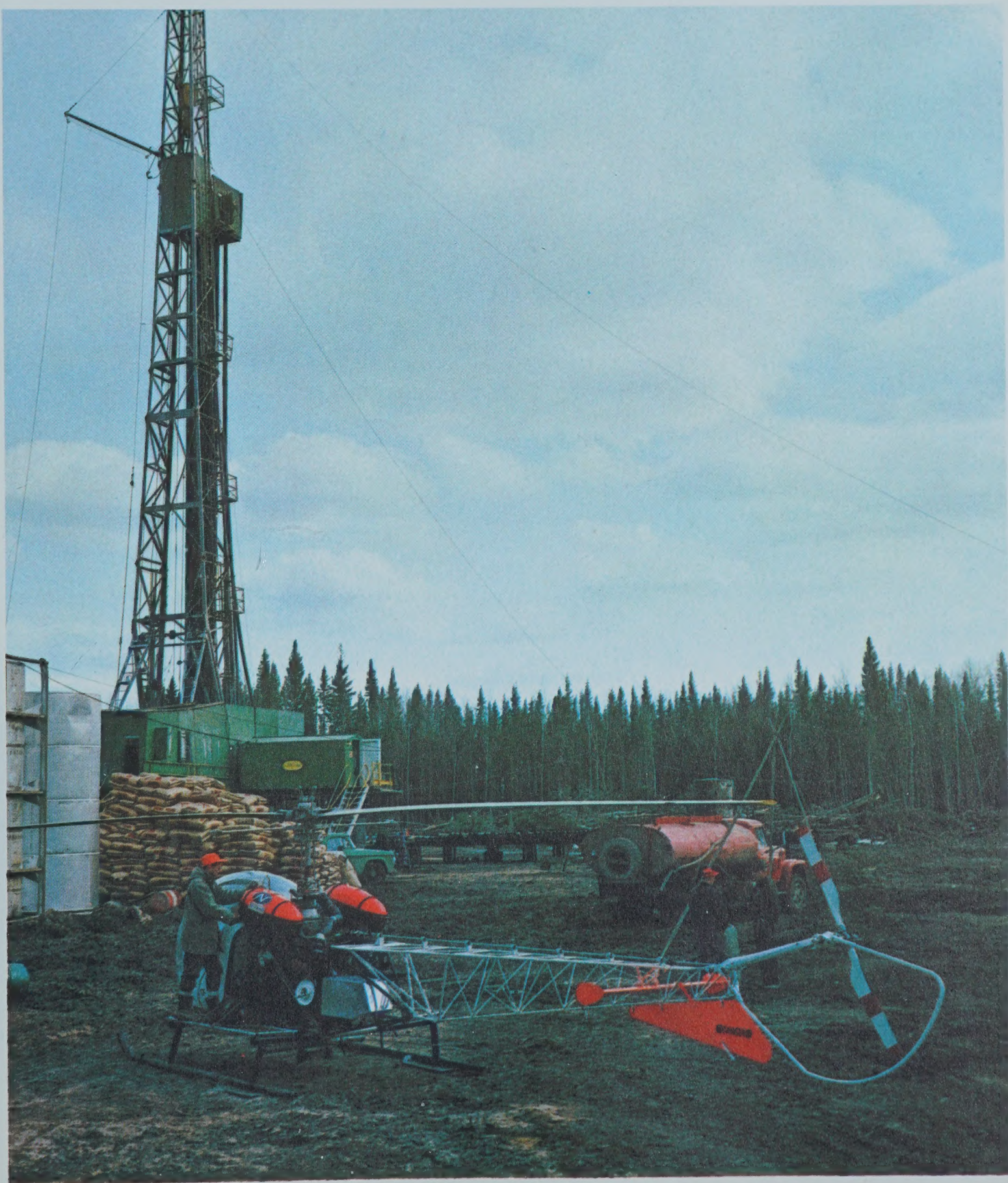
Expansion of B-A's Nevis, Alberta, gas plant from 45 to 69 million cubic feet daily was completed in October. New "deep cut" facilities at this plant also enabled additional volumes of propane, butane and pentanes plus to be produced.

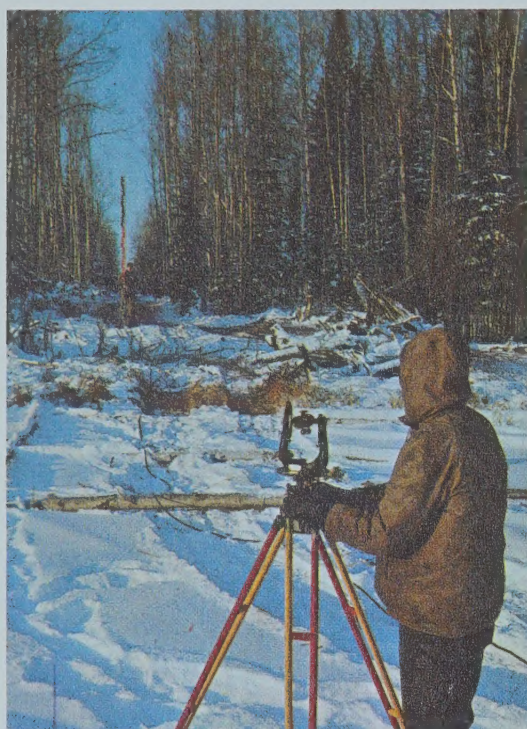
At year-end B-A's net land holdings in Canada totalled 18.7 million acres, an increase of 2.8 million acres over 1965.

Year-end recoverable reserves in Canada, before royalty, are estimated to be 584 million barrels of crude oil and natural gas liquids,



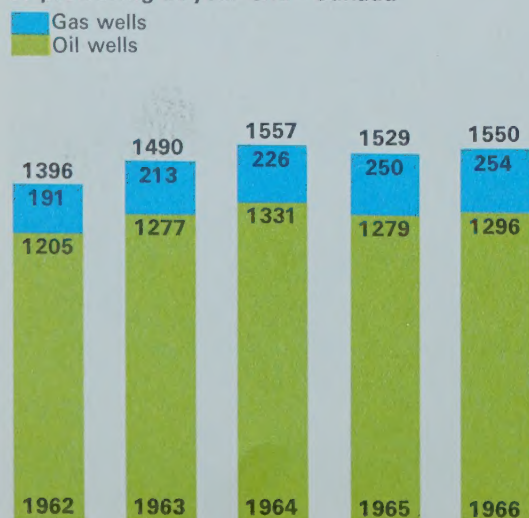
Above: A major expansion program was completed at B-A's Nevis, Alberta, plant. Right: This well was one of the first of five B-A successes to the end of 1966 in the Rainbow-Zama Lake area of northwestern Alberta.





Above: A major part of the Company's exploration activity during 1966 was concentrated in the Rainbow-Zama Lake area of Alberta where B-A has extensive acreage. Right: A shipment of propane, part of a long term contract with Japan, leaves Alberta for Burnaby, British Columbia, to be loaded on the *Yamahide Maru*, shown below, as she leaves Vancouver.

Net oil and gas wells capable of producing at year-end—Canada



3.4 trillion cubic feet of marketable natural gas, and 4.8 million long tons of sulphur. On a net basis after royalty, these reserves are estimated to be 506 million barrels of crude oil and natural gas liquids, three trillion cubic feet of marketable natural gas, and 4.4 million long tons of sulphur. These estimates can be classified realistically as proven. They do not include (a) volumes that will probably accrue from extensions to proven areas, (b) all of the additional recovery that can be expected from pressure maintenance projects now in operation, and (c) the additions resulting from new projects of this nature.

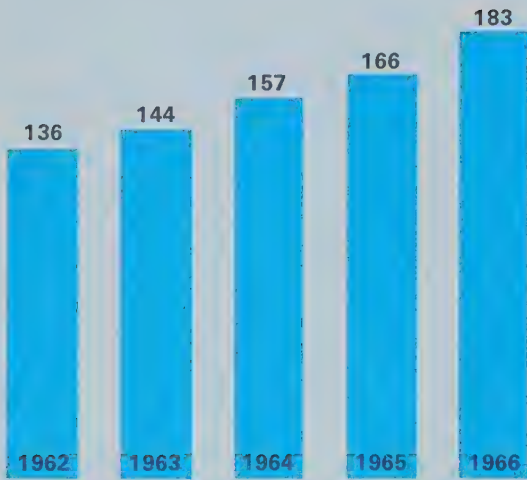
In the United States, daily production of The British-American Oil Producing Company from January 1 to July 27, 1966, amounted to 21,600 barrels of crude oil and natural gas liquids, compared with 23,000 barrels in 1965, and 94 million cubic feet of natural gas, compared with 79 million cubic feet in the previous year.

#### Well completion data—Canada

	Exploratory				
	1966	1965	1964	1963	1962
Gross wells					
Successful—oil	3	6	5	8	5
—gas	7	15	12	11	9
Dry holes	43	59	52	49	52
Total	53	80	69	68	66
Net wells					
Successful—oil	2	4	4	6	4
—gas	6	14	7	7	5
Dry holes	32	47	42	35	41
Total	40	65	53	48	50
Development					
Gross wells	1966	1965	1964	1963	1962
Successful—oil	48	43	98	122	119
—gas	19	36	24	13	34
Dry holes	12	25	24	32	45
Total	79	104	146	167	198
Net wells					
Successful—oil	26	25	61	73	67
—gas	3	18	9	2	15
Dry holes	9	22	19	19	26
Total	38	65	89	94	108



**Crude oil and refined products  
transported—Canada**  
(Millions of barrels)

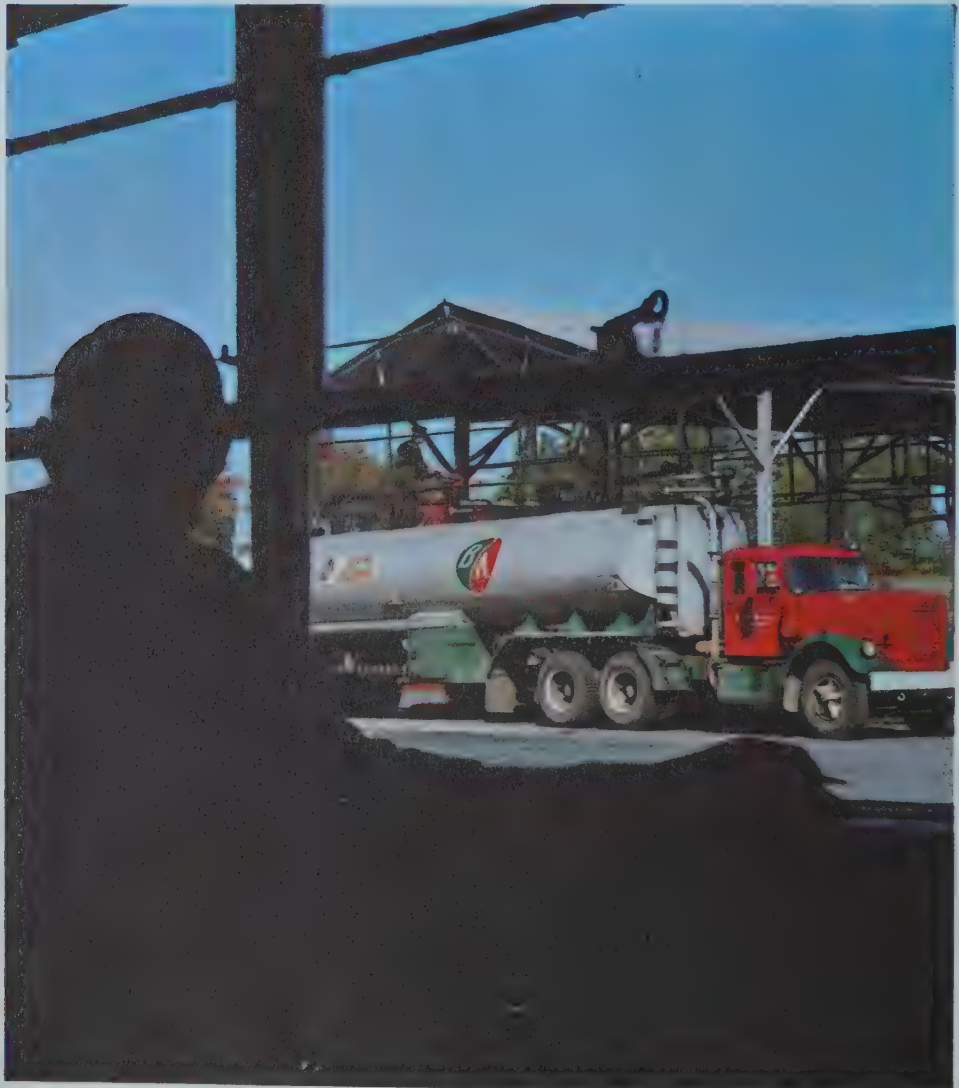


## Supply and Transportation

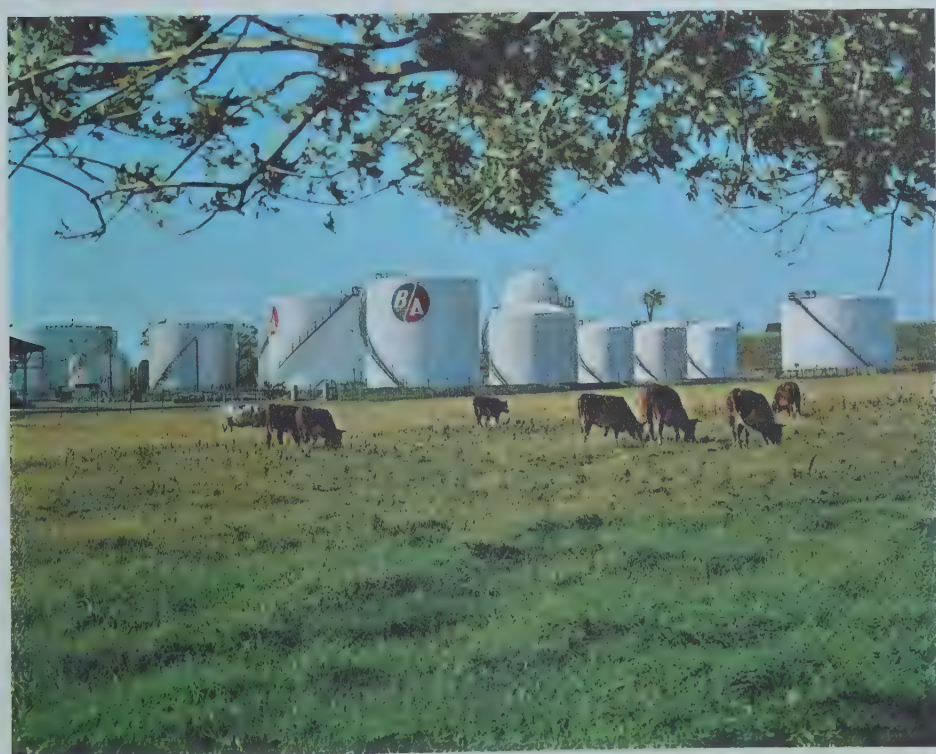
The unit cost of transporting record volumes of crude oil and products was further reduced in 1966. A ten-year contract to supply 28.5 million barrels of propane to Japan began in October when initial deliveries were moved from various gas plants in Alberta to a new marine terminal at Burnaby, B.C. A refrigerated ocean tanker completes the delivery to Japan.

During the fourth quarter, construction was started on the Montreal East—Varenes, Quebec, pipe line project. When completed in 1967, this system, which consists of four separate pipe lines crossing the St. Lawrence River, will connect Shawinigan Chemicals' plant in Varenes with B-A's Montreal East refinery. The system will facilitate transferring feed stocks from the refinery to the petrochemical plant, and the return of products and by-products.

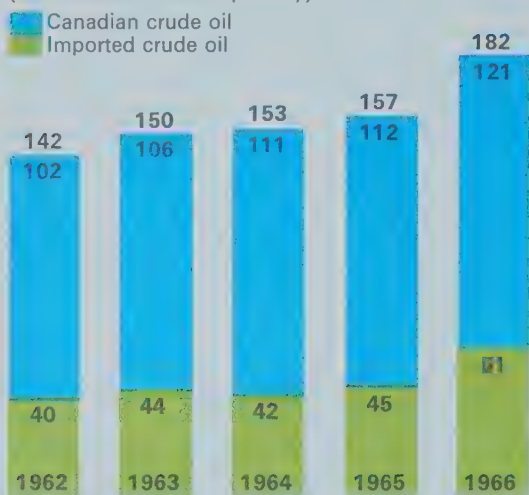
At year-end the Company operated 788 miles of pipe lines, which carried nearly 35 million barrels of crude oil and natural gas liquids, slightly more than the 1965 volume.



A record volume of crude oil, natural gas, petroleum and petrochemical products was transported during 1966. The record B-A pipeline terminal at Burnaby, British Columbia, is shown in the background. The truck is a B-A tanker truck, and the storage tanks are B-A storage tanks.



Crude oil processed by B-A  
and for B-A's account  
(Thousands of barrels per day)



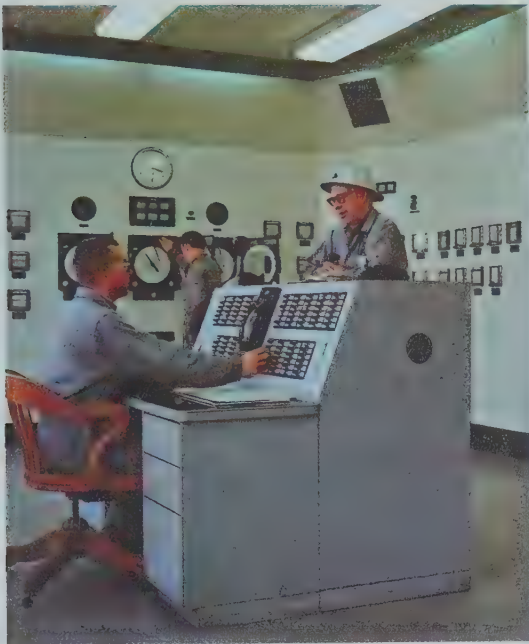
## Manufacturing

Crude oil and condensate processed totalled 66.5 million barrels, 9.4 million barrels more than in 1965. Approximately four million barrels of this difference was accounted for by reduced 1965 refinery throughput in Western Canada, brought about by a labor dispute. The remainder was required to meet increased demand, and to replace imported product now supplied from the Company's expanded Montreal East refinery.

The new facilities at Montreal have raised its daily crude processing capacity from 45,000 to 67,500 barrels. Processing capacity at the Company's nine refineries now totals 193,000 barrels per day. All refineries, except Port Moody, British Columbia, operated at capacity during the year. As a result of extensive studies made during

Refinery crude processing capacity	Barrels Per Calendar Day
Montreal East, Quebec	67,500
Clarkson, Ontario	55,400
Brandon, Manitoba	3,600
Moose Jaw, Saskatchewan	13,500
Saskatoon, Saskatchewan	7,500
Calgary, Alberta	9,000
Edmonton, Alberta	12,600
Kamloops, British Columbia	5,900
Port Moody, British Columbia	18,000
<b>Total</b>	<b>193,000</b>





1966, the Company announced that it is prepared to proceed with construction of a 60,000 barrel-per-day refinery on its property at Point Tupper, in the Hawkesbury area, Cape Breton Island, Nova Scotia, pending the successful outcome of discussions with the governments of Canada and the Province of Nova Scotia. Construction of the refinery, which will supply the Atlantic Provinces and Eastern Quebec, is tentatively scheduled to begin in late 1967.



Above: Control room of Esso refinery, and below: Varel unit at Montreal East refinery. Right: A large expansion program is underway at the Atlantic Refining plant at Shawinigan, Quebec. It is Montreal East refinery supplies fuel stock to the Varel unit.





Above: The "Lucky Bucks" promotion was a "traffic builder" for B-A dealers. Below: Computers play important role in assisting prompt customer ordering and billing. Right: Field, British Columbia, service centre offers complete facilities to motorists travelling on the Trans-Canada Highway.

## Marketing

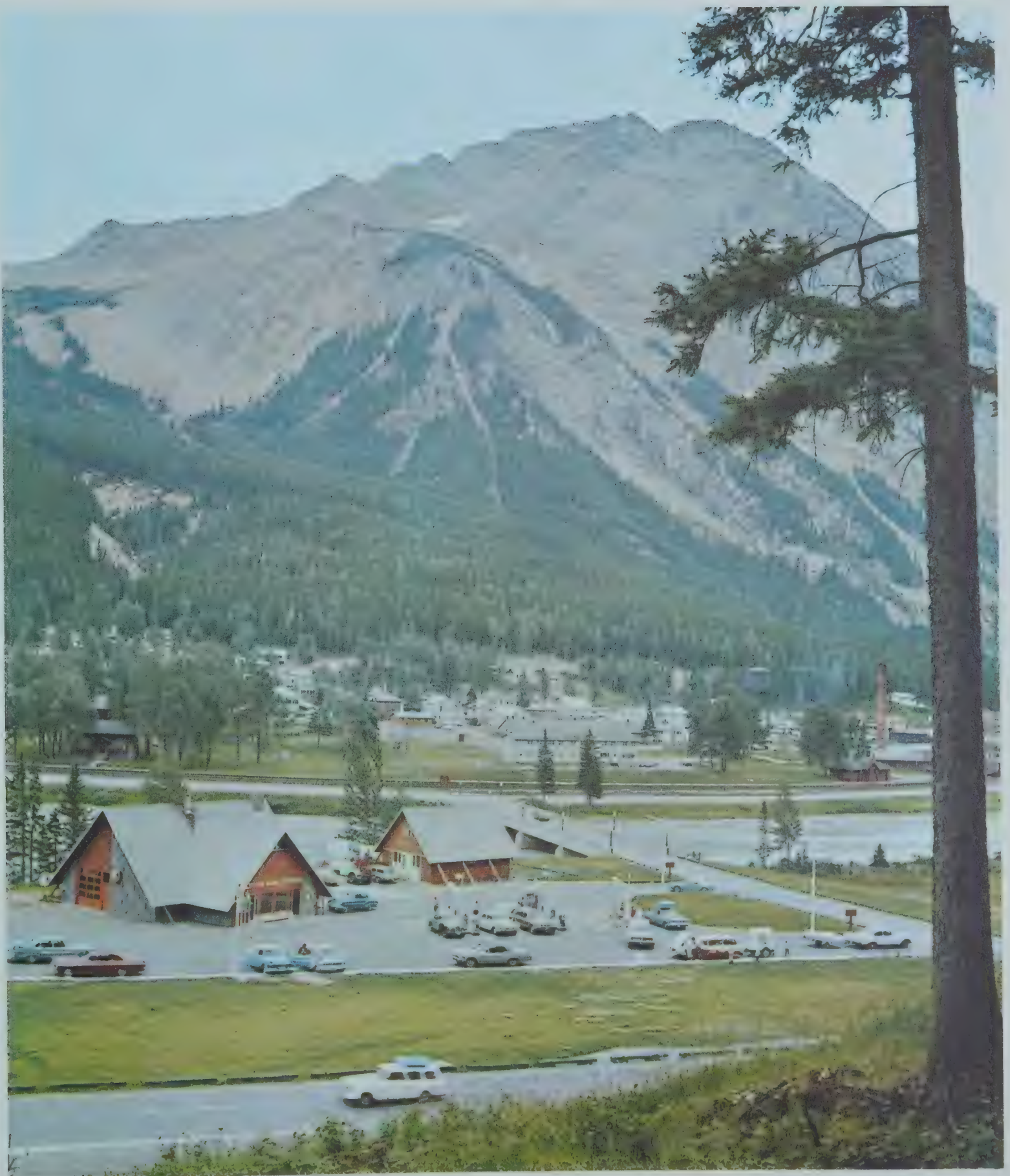
Sales of refined petroleum products increased nine per cent over 1965, with most products showing good gains. Generally stable retail prices throughout 1966 contributed to improved earnings. An image conversion program was begun during 1966 to give B-A retail outlets the "blue ribbon" look shown on the front cover. The new symbol and color combination will also be applied to all product packaging.

To coordinate the advertising and merchandising programs for B-A and its affiliates, a corporate advertising and merchandising coordinator was appointed. Advertising campaigns in 1966 included the highly successful "Extra Kick" gasoline promotion. Later, the horseshoe symbol was developed into the popular "Lucky Bucks" program, which brought new customers into B-A stations.

An expanded selection of climate control equipment was added to the Sentinel Furnace line to gain a larger share of the home heating market. A studded winter tire, introduced in the fall, provided additional sales opportunities for B-A dealers. Customers continued to use their B-A credit cards as convenient payment for meals and hotel accommodation at Holiday Inns.

**Refined products sold**  
(Thousands of barrels per day)







## Employee and Public Relations

Reflecting the growing importance of manpower in the Company's overall plans, a vice-president of employee relations was appointed two years ago. Subsequently, a plan for manpower development was introduced to encourage and assist employees in achieving their full potential, thereby meeting the Company's growing need for managerial talent and skilled workers.

By the end of the first quarter of 1966, contracts had been signed at all B-A units, which had been struck during the latter part of 1965. One of the terms of settlement of these labor contracts was the implementation of a training program, which falls within the scope of the overall manpower development program referred to previously. The program is one of the most advanced in the industry.

Approximately 280 B-A employees with 25 years or more of service were recently honored at five locations, the first annual dinner-presentations to acknowledge long-service employees. In the field of safety, six units qualified for the President's Award, denoting 365 consecutive days without a disabling injury.

The Company continued to provide information on its operations to many diverse groups, including shareholders, employees, dealers and news media with specific text material, Company publications, and graphic and display services. Film loan libraries at five centres operated at capacity. B-A has accepted fully its responsibility as a corporate citizen by contributing generously under its donations policy to universities, hospitals, and social agencies in all parts of Canada, while the aid-to-education program offers scholarships and fellowships to deserving students and grants to institutions for special projects.



Above: A "family day" at Montreal East featured a tour of the refinery for wives and children of employees. Right: B-A's safety program includes testing of teenagers' driving habits.

## Research and Development

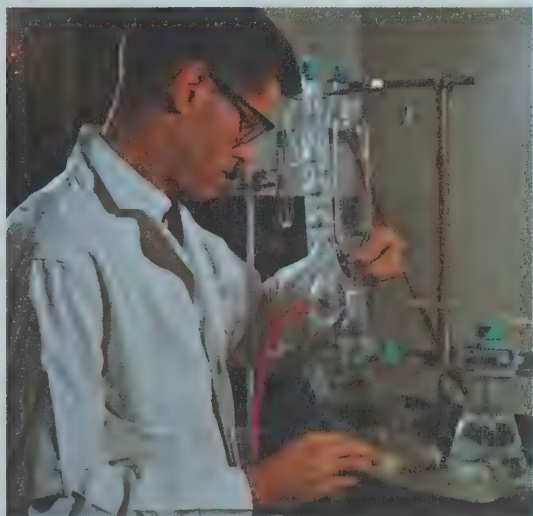
B-A's Research and Development Centre at Sheridan Park, Ontario, developed a number of new products and improved the quality of several others during the year.

An extender oil was developed to meet the requirements of the rubber industry for extender and processing oils, while new consumer products included a carburetor cleaner and an engine cleaner. For the farm market, a corn spray oil was formulated. Other product projects included the introduction of a completely new and improved line of B-A motor oils, and the development of an aviation engine oil of the dispersant type.

Research techniques were perfected to predict service conditions of diesel engines by measuring the wear metal content in crankcase oils. These methods are now bringing the Company further economies to its truck fleet.

In the analytical field, a thorough study of the chemistry of sulphur gave valuable technical information in this area of B-A's operations.

Assisted by the latest in highly sophisticated precision equipment, scientists at B-A's Research and Development Centre developed a number of new industrial, farm and consumer products during 1966.





Top left: Royalite service station, Edmonton, Alberta. Right: The "Windfall" exhibition, which is a new program for Royalite service stations.

## Royalite Oil Company, Limited

As reported to its shareholders, Royalite showed a 20 per cent increase in 1966 earnings to \$3,306,158.

All phases of the company's operations advanced. Retail sales increased substantially, with the first phase of a product diversification program meeting with good public acceptance. Renovation of service stations in key locations continued, and a farm centre was established at Regina as the first step in a long-range program of modernization of agricultural marketing distribution.



Royalite's Board of Directors, reading clockwise: J. W. Morgan, D. S. Wandman, J. H. Kelly, G. C. J. J. Valois (President), Charles Roy (Chairman), W. C. Mainwaring, F. O. Meighan, O. C., G. A. McKay, R. L. Thompson, Alvin G. Leckie.

Top right: This busy Royalite service station-restaurant is located at Gap Lake, near Banff, Alberta. Bottom: Recently opened farm centre at Regina provides a wide selection of quality petroleum products and services to the community.





Shawinigan manufactures an extensive range of plastic products which are marketed in over 60 countries.

## Shawinigan Chemicals Limited

Although a high level of production and sales was maintained, Shawinigan's profit declined in 1966 because of lower prices and higher costs.

The year was one of major activity for Shawinigan. At its Varennes, Quebec, plant: a vinyl chloride unit, utilizing ethylene for feedstock, doubled capacity for vinyl chloride monomer; a unit for the conversion of propylene to ethylene marked the first commercial use of an entirely new process; an enlargement of the existing naphtha cracking facility, coupled with the propylene-to-ethylene unit, will increase ethylene capacity by 65 per cent. The expansion program will continue into 1967 and 1968 with the addition of a 500-million-pound ethylene plant at Varennes.

At the phenol-acetone plant in Montreal East, an expansion of the bisphenol-A and acetone derivatives unit enabled larger production of basic materials used in paints, resins, solvents, textiles and detergents. At Ste. Anne de Bellevue, Quebec, Shawinigan's new Research and Development Centre will concentrate on the development and application of chemicals and plastics in a highly technological environment. It complements B-A's research centre at Sheridan Park, Ontario, where the development and application of petroleum products is the major undertaking.

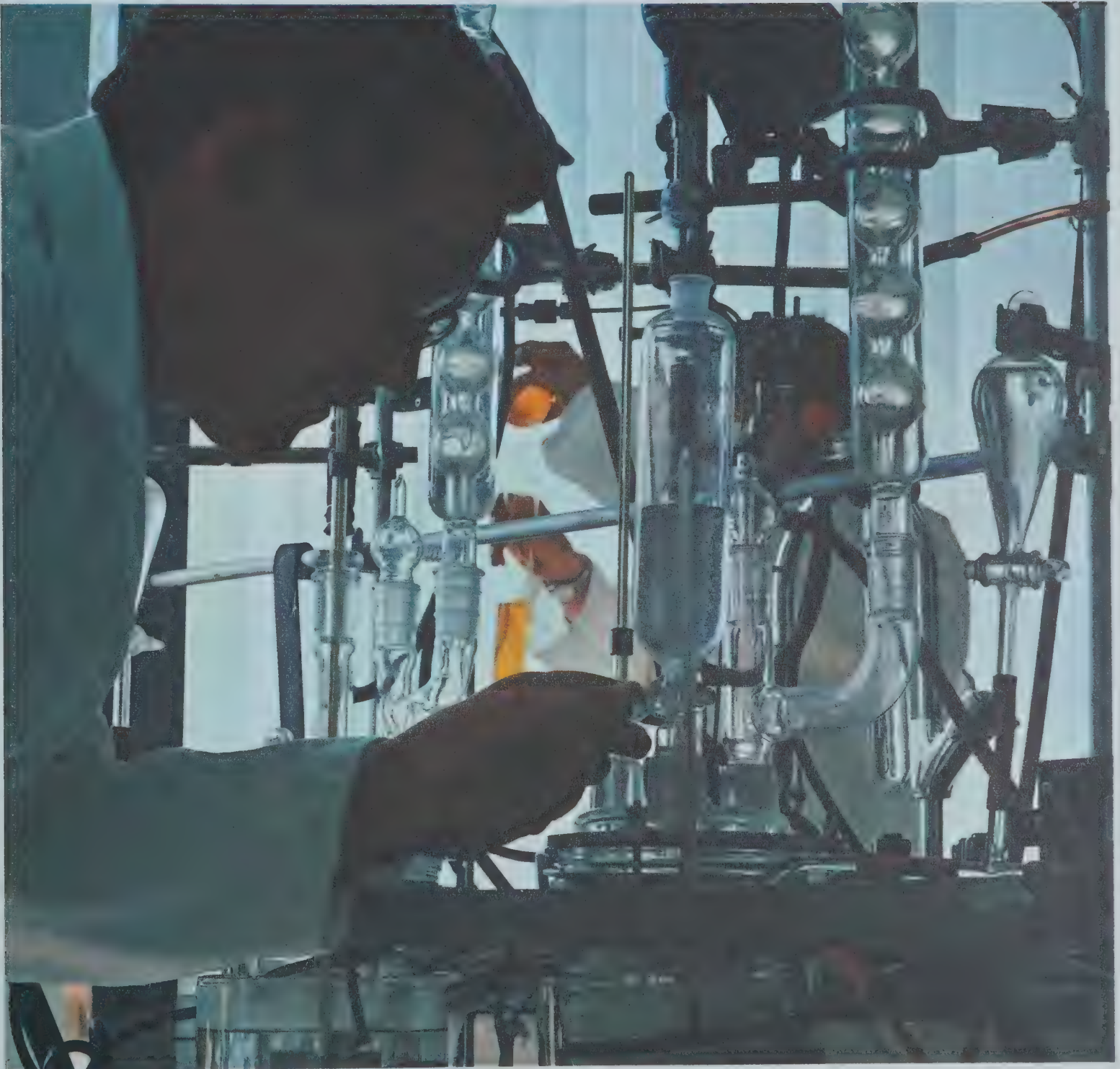
Sales of petrochemicals, excluding sulphur, by British American and Shawinigan amounted to 370 million pounds, compared with 353 million pounds in 1965. Sulphur sales declined from 259,000 long tons in 1965 to 221,000 long tons in 1966 as inventories accumulated in previous years continued to be used up.



V. N. Hurd was appointed President and Chief Executive Officer of Shawinigan Chemicals in 1966.



Shawinigan Directors at opening of Research and Development Centre in September included, l. to r.: J. W. Morgan, W. L. Henry, Dr. A. Lewis, Jr., Dr. H. S. Sutherland (Chairman), W. C. King, Charles Hay, D. L. Campbell.



Shawinigan's research and development laboratory at Montreal is among the most technically advanced on the continent.

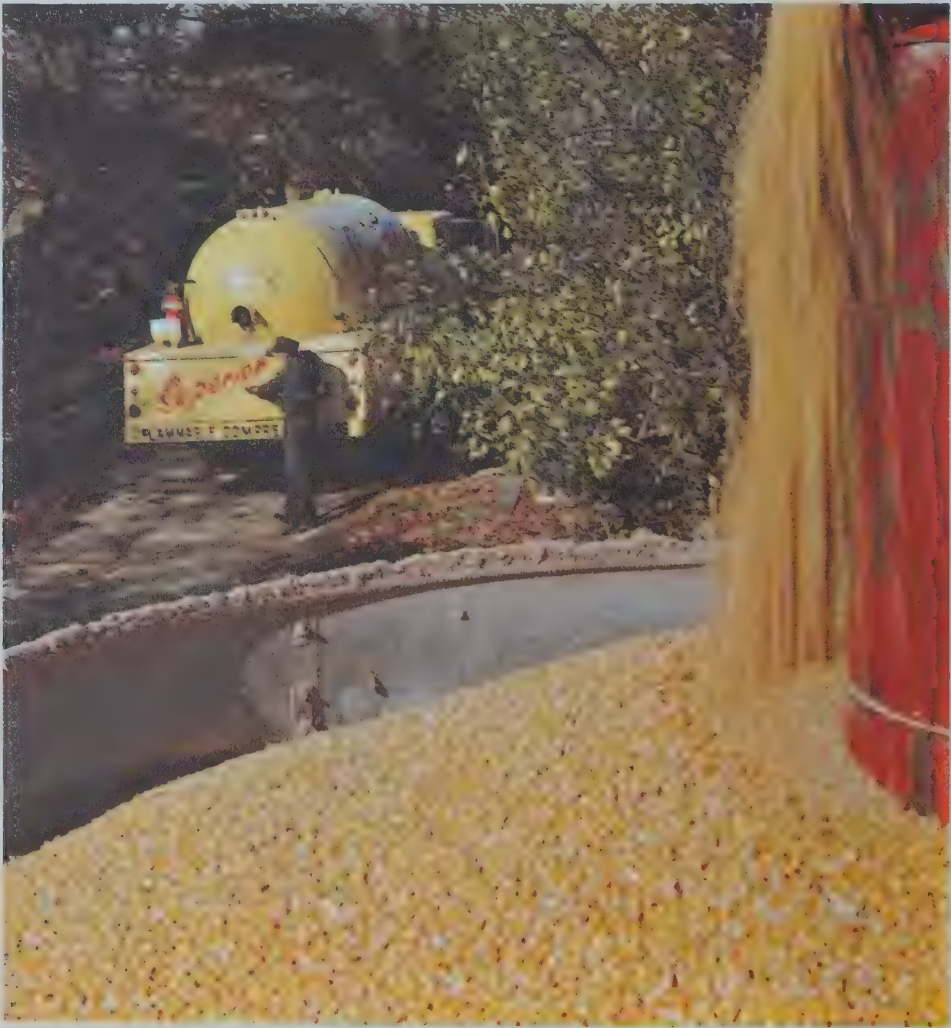


Propane is now used extensively in construction business (top), while its use in grain drying (right) has provided another growing market.

### Superior Propane Limited

Sales of Superior Propane Limited in 1966 gained more than 22 per cent over the previous year, with earnings also showing a sharp increase. Through the acquisition of the Blu-Flame Gas Co. Ltd., Superior extended its marketing area eastward to include Nova Scotia and Newfoundland. Substantial progress was also made in Quebec and Ontario during the year, both in volume sold and reduced distribution costs.

In addition to the established uses of propane as an energy fuel, a number of new applications were developed. Propane is now being used in the preservation of perishable fruits and vegetables, and in the purification of copper in refining operations. Also, Superior collaborated with a leading university in the development of a vortex generator for the ionization of propane to produce electric current.





## Western Tire and Auto Supply Limited

In 1966 B-A acquired all the outstanding preferred shares of Western Tire and Auto Supply Limited, thereby giving British American 100 per cent ownership of the company. Western Tire supplies approximately one hundred franchised automotive retail stores in Ontario, Quebec and the Maritime Provinces and, in addition, operates a number of large automotive centres in Montreal, Quebec City and London, Ontario.

The year 1966 showed substantial progress as the company reached new levels in sales of both merchandise and petroleum products. Western Tire's head office and warehousing operations were transferred from London, Ontario, to Montreal during 1966 in order to provide a more central base for an expansion program which is already underway.

Above and right: Western Tire and Auto Supply Limited centres in Ontario, Quebec and Maritimes showed substantial sales gains.



Products in use



Farming



Home Comfort



Miners

Logging



Road Building



Over 250 B-A quality petroleum products meet the needs of Canadians on the road ... in the air ... on water ... on the farm ... in the home ... in industry.



Aviation



Manni

Exhibition



**Assets**

	1966	1965
<b>Current:</b>		
Cash . . . . .	\$ 14,510,000	\$ 10,396,000
Short term investments, at cost (approximates market value) . . . . .	69,716,000	30,858,000
Accounts receivable . . . . .	119,695,000	108,563,000
Inventories (note 2)—		
Crude oil, products and merchandise . . . . .	89,417,000	83,394,000
Materials and supplies . . . . .	6,699,000	6,962,000
Prepaid expenses . . . . .	5,346,000	6,074,000
Total current assets . . . . .	<u>305,383,000</u>	<u>246,247,000</u>
<b>Investments and long term receivables:</b>		
Investments in associated and other companies at cost (note 3) . . . . .	11,456,000	12,384,000
Deposits and long term receivables . . . . .	21,129,000	17,705,000
	<u>32,585,000</u>	<u>30,089,000</u>
<b>Properties, plants and equipment (note 4) . . . . .</b>	469,600,000	504,202,000
<b>Excess of cost of investments in subsidiaries over values assigned to their tangible assets, less amortization</b>	18,011,000	18,028,000
	<u>\$825,579,000</u>	<u>\$798,566,000</u>

United and subsidiary companies

## Balance Sheet

(Comparative figures for 1965)

### *Liabilities*

<b>Current:</b>	1966	1965
Amounts payable to affiliated companies for		
crude oil and other purchases . . . . .	\$ 3,185,000	\$ 46,468,000
Other accounts payable and accrued charges . . . . .	60,326,000	63,780,000
Income and other taxes payable . . . . .	36,090,000	25,247,000
Current portion of long term debt . . . . .	1,410,000	4,112,000
Dividends payable . . . . .	6,003,000	5,457,000
Total current liabilities . . . . .	107,014,000	145,064,000
<b>Long term debt</b> (note 7) . . . . .	70,877,000	78,032,000
<b>Minority interest in subsidiaries</b> (note 8) . . . . .	23,159,000	27,896,000
Total liabilities . . . . .	201,050,000	250,992,000

### *Shareholders' equity*

Capital stock (note 9) . . . . .	\$250,004,000	\$249,398,000
Retained earnings . . . . .	374,525,000	298,176,000
Total shareholders' equity . . . . .	624,529,000	547,574,000
	<u>\$825,579,000</u>	<u>\$798,566,000</u>

On behalf of the Board:

C. Hay, Director.

Beverley Matthews, Director.

The British American Oil Company Limited and subsidiary companies  
**Statements of Consolidated Earnings**  
for the year ended December 31, 1966 (with comparative figures for 1965)

**Earnings**

	1966	1965
<b>Revenues:</b>		
Gross sales and other operating revenues . . . . .	\$679,710,000	\$623,579,000*
Less gasoline and fuel taxes . . . . .	<u>115,934,000</u>	<u>103,756,000</u>
Net sales and other operating revenues . . . . .	563,776,000	519,823,000
Investment and sundry income . . . . .	<u>10,815,000</u>	<u>6,968,000*</u>
	<u>574,591,000</u>	<u>526,791,000</u>
<b>Deductions:</b>		
Purchased crude oil, products and merchandise . . . . .	248,417,000	223,276,000
Operating, selling and administrative expenses . . . . .	180,401,000	169,570,000*
Taxes on income (note 6) . . . . .	19,029,000	13,002,000
Other taxes . . . . .	33,153,000	31,558,000
Depreciation, depletion and amortization (note 5) . . . . .	44,505,000	44,859,000
Interest and amortization of discount and redemption premium on long term debt . . . . .	3,929,000	4,352,000
Other interest expense . . . . .	1,354,000	1,543,000
Income applicable to minority interests in subsidiaries . . . . .	<u>1,294,000</u>	<u>1,411,000</u>
	<u>532,082,000</u>	<u>489,571,000</u>
<b>Earnings for the year before extraordinary items . . . . .</b>	<b>42,509,000</b>	<b>37,220,000</b>
<b>Extraordinary items:</b>		
Gain on disposal of certain investments and capital assets . . . . .	<u>—</u>	<u>1,114,000</u>
<b>Earnings for the year . . . . .</b>	<b><u>\$ 42,509,000</u></b>	<b><u>\$ 38,334,000</u></b>
Per share of common stock outstanding at end of each year:		
Earnings for the year before extraordinary items . . . . .	\$ 1.95	\$ 1.71
Extraordinary items . . . . .	<u>—</u>	<u>.05</u>
Earnings for the year . . . . .	<u><u>\$ 1.95</u></u>	<u><u>\$ 1.76</u></u>

**Retained Earnings**

Balance beginning of the year . . . . .	\$298,176,000	\$281,670,000
Gain on disposal of investment in The British-American Oil Producing Company (note 1) . . . . .	57,306,000	—
Earnings for the year . . . . .	<u>42,509,000</u>	<u>38,334,000</u>
	397,991,000	320,004,000
Deduct dividends on common shares . . . . .	<u>23,466,000</u>	<u>21,828,000</u>
Balance end of the year . . . . .	<u><u>\$374,525,000</u></u>	<u><u>\$298,176,000</u></u>

\*Reclassified for comparative purposes.

The British American Oil Company Limited and subsidiary companies  
**Statement of Consolidated Source and Use of Funds**  
for the year ended December 31, 1966 (with comparative figures for 1965)

Source of Funds:	1966	1965
Earnings for the year . . . . .	\$ 42,509,000	\$ 38,334,000
Add depreciation, depletion and amortization . . . . .	44,505,000	44,859,000
Funds from operations . . . . .	87,014,000	83,193,000
Net book value of fixed asset disposals . . . . .	3,131,000	2,416,000
Other—net . . . . .	403,000	(921,000)
	<u>90,548,000</u>	<u>84,688,000</u>
Funds provided by sale of investment in U.S. subsidiary (note 1) . . . . .	* 115,699,000	—
Total . . . . .	<u>206,247,000</u>	<u>84,688,000</u>
 Use of Funds:		
Additions to properties, plants and equipment . . . . .	68,082,000	53,353,000
Increase in investments and long term receivables . . . . .	5,007,000	811,000
Reduction in long term debt . . . . .	7,155,000	5,717,000
Reduction in minority interest holdings of preferred shares of subsidiaries . . . . .	5,351,000	—
Dividends on common shares . . . . .	23,466,000	21,828,000
Total . . . . .	<u>109,061,000</u>	<u>81,709,000</u>
Increase in working capital . . . . .	97,186,000	2,979,000
Working capital, beginning of year . . . . .	101,183,000	98,204,000
Working capital, end of year . . . . .	<u>\$198,369,000</u>	<u>\$101,183,000</u>
 *Represented by:		
Capital gain on sale . . . . .	\$ 57,306,000	
Recovery of book value of fixed and other non-current assets . . . . .	58,393,000	
	<u>\$115,699,000</u>	

# Notes to Consolidated Financial Statements

December 31, 1966

## 1. Principles of consolidation

The accounts of all subsidiary companies have been included in the consolidation. As of the close of business on July 27, 1966 the Company sold all the shares of its wholly-owned United States subsidiary, The British-American Oil Producing Company. The consolidated earnings of that company to the date of sale have been included in the accompanying statement of earnings while the capital gain on the sale, representing the excess of the sales proceeds over the subsidiary's net assets, has been included in retained earnings.

U.S. dollar balances have been translated to Canadian dollars as follows: investment in properties, plants and equipment and shares of associated and other companies at rates current at dates of acquisition; all other assets and liabilities at rates current at the end of the year; earnings at rates current throughout the period, except for charges for depreciation, depletion and amortization which are on the basis of the Canadian dollar value of the related assets.

## 2. Inventories

Inventories of crude oil, products and merchandise are valued generally at a lower of cost applied on the "first-in, first-out" basis and market value determined on the basis of replacement cost or net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

## 3. Investments in associated and other companies

	At Cost	
	1966	1965
With quoted market value 1966: \$49,899,000; 1965: \$57,100,000 . . . . .	\$ 6,825,000	\$ 6,816,000
Without quoted market value . . . . .	4,631,000	5,568,000
	<u>\$11,456,000</u>	<u>\$12,384,000</u>

The market values shown are based on closing market prices at the end of each year. Because of the number of shares involved, the amounts that would be realized if certain of the securities were to be sold might be less than their closing market prices.

## 4. Properties, plants and equipment

	Gross investment at cost	Accumulated depreciation, depletion and amortization	Net investment 1966	Net investment 1965
Production . . . . .	\$339,127,000	*\$141,622,000	\$197,505,000	\$251,005,000
Transportation . . . . .	18,316,000	10,376,000	7,940,000	8,854,000
Refining and petrochemicals . . . . .	310,718,000	178,744,000	131,974,000	126,702,000
Marketing . . . . .	202,583,000	79,599,000	122,984,000	110,100,000
Other . . . . .	13,695,000	4,498,000	9,197,000	7,541,000
	<u>\$884,439,000</u>	<u>\$414,839,000</u>	<u>\$469,600,000</u>	<u>\$504,202,000</u>

\*Includes accumulated depletion of \$25,500,000 with respect to the acquisition costs of productive properties.

## 5. Depreciation, depletion and amortization

Depreciation, depletion and amortization in the statement of consolidated earnings consists of:

	1966	1965
Depreciation of plants and equipment . . . . .	\$ 32,079,000	\$ 31,304,000
Depletion of acquisition costs of productive properties . . . . .	2,013,000	2,399,000
Amortization of non-producing properties, drilling costs and other intangible assets . . . . .	10,413,000	11,156,000
	<u>\$ 44,505,000</u>	<u>\$ 44,859,000</u>

Policies governing depreciation, depletion and amortization are as follows:

### (a) Exploration and development costs—

The companies follow the practice of charging to expense, as incurred, the cost of all dry holes and all exploration expenditures except the initial acquisition cost of oil and gas properties. These latter costs together with the costs of successful wells are capitalized and charged against earnings on a unit-of-production or other amortization basis.

### (b) Investment in plants and equipment—

Charges are made against earnings for depreciation of investment in plants and equipment based on engineering reviews of the remaining service lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

## 6. Income taxes

(a) Exploration and development expenditures, to the extent that they are allowable deductions for tax purposes, are claimed in the year in which they are incurred, regardless of the treatment followed in the accounts.

(b) For Canadian income tax purposes, the companies claim the maximum capital cost allowances, including any accelerated allowance, rather than the depreciation charged in the accounts. Such allowances have exceeded the depreciation charged in the accounts, resulting in a reduction in income taxes of \$200,000 in 1966, \$1,500,000 in 1965 and approximately \$42,500,000 to date.

## 7. Long term debt

	Maturity	Amount
The British American Oil Company Limited—		
3½% debentures, 1954 issue (sinking fund) . . . . .	1974	\$ 9,900,000
5½% debentures, Series A (sinking fund) . . . . .	1977	14,800,000
5½% debentures, Series B (sinking fund) . . . . .	1982	8,600,000
5½% debentures, Series C (sinking fund) . . . . .	1982	18,801,000
(U.S. \$17,391,000)		
Royalite Oil Company, Limited—		
4¼% and 5% debentures (sinking fund) . . . . .	1972-1975	14,000,000
Shawinigan Chemicals Limited—		
4¼% sinking fund debentures . . . . .	1971	2,900,000
Superior Propane Limited—		
4% to 6¼% debentures (sinking fund) . . . . .	1975-1980	2,287,000
Other long term obligations of subsidiary companies . . . . .	varying dates	999,000
		<u>72,287,000</u>
Less instalments due within one year included in current liabilities . . . . .		1,410,000
		<u>\$70,877,000</u>

Approximate instalments of long term debt due in each of the five years subsequent to December 31, 1966 are as follows:  
1967—\$1,410,000; 1968—\$2,583,000; 1969—\$4,282,000; 1970—\$5,966,000; 1971—\$7,707,000.

## 8. Minority interests in subsidiaries

The preferred shares of subsidiary companies held by minority interests at the end of 1965 were redeemed or acquired by the Company during 1966 and accordingly the minority interests in subsidiaries at December 31, 1966 consist of common share interests.

## 9. Capital stock

Common shares without nominal or par value:

Authorized—34,000,000 shares

Issued —21,848,832 shares

(a) On December 15, 1966 the Company offered to acquire the common shares held by the minority shareholders of Anglo-Canadian Oils Limited (a consolidated subsidiary) on the basis of three of the Company's shares for each Anglo-Canadian common share. To December 31, 1966 the Company had issued 19,989 common shares of its capital stock under this offer and these shares have been included in the accompanying financial statements at an assigned value of \$599,670 representing their approximate market value at December 15, 1966. Under terms of the offer which expires March 17, 1967 a maximum of a further 32,541 shares of the Company's capital stock could be issued subsequent to December 31, 1966.

(b) *Stock option plan—*

The Company's Incentive Stock Option Plan provides for the granting of options to full-time officers and other employees to purchase common shares of the Company at the market price on the day on which the options are granted. Under the plan, options become exercisable after one-year's continuous employment immediately following the date the options are granted and are for a period of ten years. During 1966 options on 200 shares were exercised for a cash consideration of \$6,000, options on 18,975 shares expired and options on 18,500 shares were granted. Details of common shares under option at December 31, 1966 were as follows:

Year option granted	Normal expiry date	Option price per share	Number of shares
1957 . . . . .	August 13, 1967	\$50.625	22,900
1958 . . . . .	January 8, 1968	36.187	23,000
1959 . . . . .	January 20, 1969	42.562	31,600
1960 . . . . .	January 4, 1970	33.812	36,400
1961 . . . . .	February 22, 1971	33.937	29,700
1962 . . . . .	September 20, 1972	29.812	31,150
1965 . . . . .	April 22, 1975	34.625	10,000
1966 . . . . .	February 2, 1976	30.062	18,500
			<u>203,250</u>

Shares under option at December 31, 1966 included 79,750 shares under option to officers of the Company.

## 10. Pension plans

The companies have funded pension plans covering substantially all of their employees. The contributions by employees together with those made by the companies are deposited with insurance companies and/or trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service. The amount charged to income (including amounts paid

to government pension plans) was \$3,397,000 in 1966 and \$2,024,000 in 1965, which amounts included amortization of prior service costs.

The unfunded past service pension costs at December 31, 1966 were \$2,244,000 and these will be funded in varying amounts over the next seven years.

#### **11. Commitments and contingent liabilities**

The Company has announced that it is prepared to proceed with the construction of a 60,000 barrel-per-day refinery on its property near Port Hawkesbury in Nova Scotia following the successful outcome of discussions with the governments of Canada and the Province of Nova Scotia. It is estimated that this project would require an initial capital investment of approximately \$40,000,000.

The companies have other commitments in the ordinary course of business for the acquisition or construction of fixed assets and for the purchase of materials, supplies, investments and services which are not significant in relation to their net assets.

The companies in the normal course of business have entered into lease, charter hire, throughput agreements and other similar commitments. Long term leases for real property and charters for tankers have approximate rentals payable in 1967 of \$12,900,000 (inclusive of property taxes). Rental income from properties sub-leased to others is estimated at \$4,467,000 for 1967.

Under certain of these long term leases, the Company has the option to purchase the leased assets and is obligated to make advances from time to time which will be applied against the purchase price if the option is exercised. It is estimated that such advances will aggregate approximately \$24,139,000 over the terms of the lease agreements (which expire at various dates to 1982). Advances to December 31, 1966 have amounted to \$3,357,000 and during the next five years will aggregate approximately \$4,258,000 of which \$948,000 will be payable in 1967.

The companies are contingently liable for guarantees of bonds of a pipe line company and of mortgages payable by owners of service stations and others, aggregating \$19,066,000. Also under long term agreements with certain other pipe line companies, the Company has agreed in conjunction with other users to ship sufficient crude oil to generate the revenue required to meet the obligations of these companies, and in the event there is any deficiency the Company may be required to purchase subordinated securities in an amount sufficient to make up its share of the deficiency. The Management of the Company is of the opinion no losses of any consequence will arise from these guarantees and long term agreements.

#### **12. Directors' remuneration**

Remuneration paid to the Company's directors, including directors holding salaried employment, totalled \$298,000 in 1966.

*Clarkson, Gordon & Co.*

*Chartered Accountants*

15 Wellington Street West, Toronto 1, Canada

#### **Auditors' Report**

*To the Shareholders of The British American Oil Company Limited:*

We have examined the consolidated balance sheet of The British American Oil Company Limited and subsidiary companies as at December 31, 1966 and the statements of consolidated earnings and consolidated source and use of funds for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of The British American Oil Company Limited and subsidiary companies as at December 31, 1966 and the results of their operations and source and use of funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Clarkson, Gordon & Co.*

Chartered Accountants

Toronto, Canada, February 10, 1967.

## Five Year Operations Summary

	1966	1965	1964	1963	1962
<b>Net natural gas produced and sold</b> <i>(millions of cubic feet)</i>					
Canada	98,456	98,671	92,911	90,360	89,082
Per day	270	270	254	248	244
U.S.—to July 27, 1966	22,509	28,759	26,564	23,750	24,279
Per day	94	79	72	65	67
<b>Net crude and natural gas liquids produced</b> <i>(thousands of barrels)</i>					
Canada	24,648	23,400	22,524	20,625	19,660
Per day	68	64	61	57	54
U.S.—to July 27, 1966	4,546	8,396	8,687	9,305	9,748
Per day	22	23	24	25	27
<b>Crude oil processed by B-A and for B-A's account</b> <i>(thousands of barrels)</i>					
Total	66,530	57,145	55,899	54,688	51,894
Per day	182	157	153	150	142
<b>Refined products sold</b> <i>(thousands of barrels)</i>					
Total	67,940	62,252	59,245	54,568	52,430
Per day	186	171	162	150	144
<b>Petrochemical sales</b> <i>(thousands of pounds)</i>					
Total	370,413	352,663	310,080	212,937	75,680
Per day	1,015	966	847	583	207
<b>Sulphur sales</b> <i>(long tons)</i>					
Total	221,315	258,628	313,468	186,321	152,510
Per day	606	709	856	510	418
<b>Net wells capable of producing at year-end</b>					
Canada	1,550	1,529	1,557	1,490	1,396
U.S.	—	687	715	746	781
Total	1,550	2,216	2,272	2,236	2,177
<b>Net wells drilled</b>					
Canada	78	130	142	142	158
U.S.	11	40	38	53	59
Total	89	170	180	195	217
<b>Net acreage under lease, reservation and option</b> <i>(thousands of acres)</i>					
Canada	18,745	15,967	13,151	11,493	11,249
U.S.	—	786	1,041	1,346	1,944
Total	18,745	16,753	14,192	12,839	13,193

# Ten Year Financial Summary

Totals, except for unit statistics, expressed in millions of dollars

	1966	1965	1964	1963	1962	1961
<b>Balance Sheet</b>						
Current assets . . . . .	\$305.4	\$246.2	\$216.3	\$207.0	\$182.3	\$143.1
Deduct: Current liabilities . . . . .	107.0	145.0	118.1	112.7	83.2	65.3
Working capital . . . . .	198.4	101.2	98.2	94.3	99.1	77.8
Properties, plants and equipment—net . . . . .	469.6	504.2	497.4	491.1	437.1	379.9
Investments, long term receivables and other assets . . . . .	50.6	48.1	44.1	42.4	56.2	40.9
	718.6	653.5	639.7	627.8	592.4	497.7
Deduct: Minority interests in subsidiaries . . . . .	23.2	27.9	25.1	25.8	8.2	1.0
Capital employed . . . . .	695.4	625.6	614.6	602.0	584.2	496.7
Deduct: Long term debt . . . . .	70.9	78.0	83.7	89.7	91.1	40.0
Shareholders' equity . . . . .	\$624.5	\$547.6	\$530.9	\$512.3	\$493.1	\$456.7
Per common share . . . . .	\$28.58	\$25.09	\$24.33	\$23.48	\$22.60	\$22.31
<b>Capital Expenditures</b>						
New properties, plants and equipment . . . . .	\$ 66.2	\$ 52.1	\$ 51.4	\$ 60.7	\$ 55.5	\$ 46.9
Assets of acquired subsidiaries . . . . .	1.9	1.3	4.1	37.7	42.9	1.4
	\$ 68.1	\$ 53.4	\$ 55.5	\$ 98.4	\$ 98.4	\$ 47.9
<b>Earnings</b>						
Gross sales and other operating revenues . . . . .	\$679.7	\$623.6	\$588.3	\$541.7	\$474.1	\$398.0
Less gasoline and fuel taxes . . . . .	115.9	103.8	95.7	88.3	81.7	69.8
Net sales and other operating revenues . . . . .	563.8	519.8	492.6	453.4	392.4	328.2
Dividends and interest income . . . . .	10.8	7.0	6.2	5.9	4.4	5.1
	574.6	526.8	498.8	459.3	396.8	333.3
Deduct:						
Exploration and dry hole costs . . . . .	17.1	22.0	20.2	20.5	21.4	17.1
Depreciation, depletion and amortization . . . . .	44.5	44.9	46.5	41.9	38.7	37.9
Other expenses . . . . .	417.0	376.8	354.2	327.2	273.1	223.9
Income and other taxes . . . . .	52.2	44.5	40.1	35.2	28.4	22.9
Minority share of earnings . . . . .	1.3	1.4	1.1	.3	.6	.7
	532.1	489.6	462.1	425.1	362.2	301.7
Earnings before extraordinary items . . . . .	42.5	37.2	36.7	34.2	34.6	32.2
Extraordinary items . . . . .	—	1.1	4.1	—	—	.4
Net Earnings . . . . .	\$ 42.5	\$ 38.3	\$ 40.8	\$ 34.2	\$ 34.6	\$ 32.6
<b>Funds from operations.</b> . . . .	\$ 87.0	\$ 83.2	\$ 87.3	\$ 76.1	\$ 73.3	\$ 70.1
<b>Dividends paid</b> . . . . .	\$ 23.5	\$ 21.8	\$ 21.8	\$ 13.5	\$ 12.5	\$ 12.1
<b>Per common share</b>						
Earnings before extraordinary items . . . . .	\$ 1.95	\$ 1.71	\$ 1.68	\$ 1.57	\$ 1.59	\$ 1.51
Earnings for the year . . . . .	\$ 1.95	\$ 1.76	\$ 1.87	\$ 1.57	\$ 1.59	\$ 1.51
Funds from operations . . . . .	\$ 3.98	\$ 3.81	\$ 4.00	\$ 3.49	\$ 3.36	\$ 3.44
Dividend rate at year-end . . . . .	\$ 1.10	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

The above summary includes the operating results and capital expenditures of the Company's former U.S. subsidiary, The British-American Oil Producing Company, to date of sale on July 27, 1966, as follows:

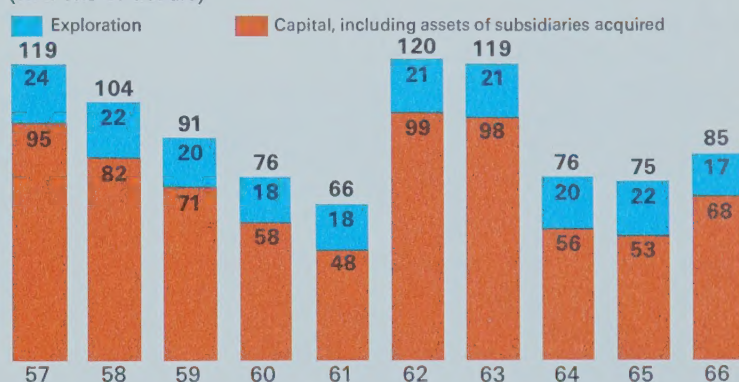
<b>Earnings</b>						
Gross operating revenue . . . . .	\$ 18.7	\$ 33.2	\$ 34.9	\$ 36.3	\$ 37.4	\$ 33.1
Deduct:						
Exploration and dry hole costs . . . . .	2.0	6.1	6.2	6.9	7.5	7.1
Depreciation, depletion and amortization . . . . .	5.7	9.3	10.6	8.9	10.7	10.0
Other operating expenses, including taxes . . . . .	6.7	12.2	12.6	12.4	12.1	9.9
Operating profit . . . . .	4.3	5.6	5.5	8.1	7.1	6.1
Dividends and other income . . . . .	.4	.7	.7	.7	.6	1.1
Extraordinary items . . . . .	—	—	1.8	—	—	.1
Net profit before inter-company interest and withholding tax . . . . .	\$ 4.7	\$ 6.3	\$ 8.0	\$ 8.8	\$ 7.7	\$ 8.0
<b>Capital expenditures</b> . . . . .	\$ 2.3	\$ 7.1	\$ 7.7	\$ 7.4	\$ 15.0	\$ 11.1

1960	1959	1958	1957
\$144.7	\$144.2	\$170.2	\$135.9
51.8	50.1	50.6	53.2
92.9	94.1	119.6	82.7
371.1	353.5	319.8	273.0
24.1	25.2	21.7	17.6
488.1	472.8	461.1	373.3
1.0	.9	.8	.7
487.1	471.9	460.3	372.6
51.3	54.7	56.8	58.6
\$435.8	\$417.2	\$403.5	\$314.0
\$21.30	\$20.39	\$19.73	\$17.02
\$ 57.5	\$ 69.8	\$ 81.1	\$ 93.7
.3	1.2	.4	1.2
\$ 57.8	\$ 71.0	\$ 81.5	\$ 94.9
\$387.4	\$381.2	\$374.4	\$360.5
64.3	60.9	59.5	55.1
323.1	320.3	314.9	305.4
5.0	4.6	2.2	1.8
328.1	324.9	317.1	307.2
18.4	20.1	22.4	24.0
35.7	34.4	31.8	32.7
223.7	223.6	223.1	200.3
21.4	21.1	19.2	17.9
.1	.1	.1	.1
299.3	299.3	296.6	275.0
28.8	25.6	20.5	32.2
2.0	—	—	—
\$ 30.8	\$ 25.6	\$ 20.5	\$ 32.2
\$ 66.5	\$ 60.0	\$ 52.3	\$ 64.9
\$ 12.1	\$ 12.1	\$ 10.6	\$ 10.1
\$ 1.41	\$ 1.25	\$ 1.00	\$ 1.74
\$ 1.51	\$ 1.25	\$ 1.00	\$ 1.74
\$ 3.25	\$ 2.93	\$ 2.56	\$ 3.52
\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
\$ 33.5	\$ 35.0	\$ 36.2	\$ 33.0
7.7	8.6	9.6	7.8
10.3	10.5	10.9	10.1
9.7	11.2	10.0	8.1
5.8	4.7	5.7	7.0
.8	.8	.4	.4
.1	—	—	—
\$ 6.7	\$ 5.5	\$ 6.1	\$ 7.4
\$ 11.9	\$ 12.2	\$ 12.0	\$ 18.2

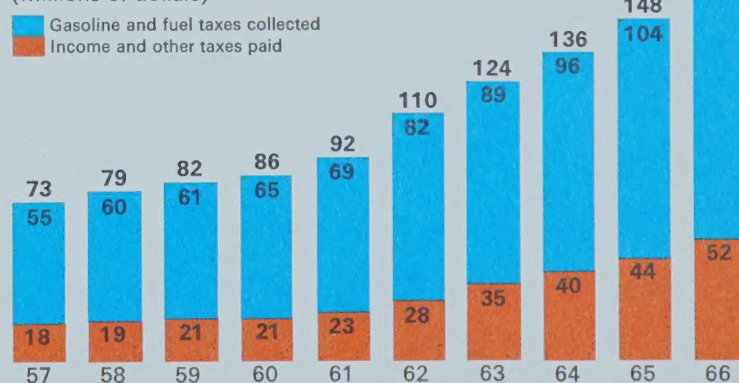
**Capital employed**  
(Millions of dollars)



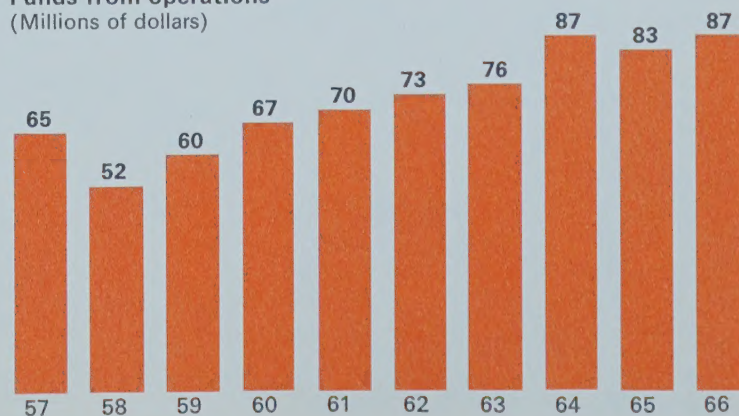
**Capital and exploration expenditures**  
(Millions of dollars)



**Taxes**  
(Millions of dollars)



**Funds from operations**  
(Millions of dollars)



# The British American Oil Company Limited

---

## Board of Directors

W. H. Browne, Toronto  
F. W. Bruce, Montreal  
D. L. Campbell, Toronto  
J. R. Gordon, New York  
Charles Hay, Toronto  
R. A. Laidlaw, Toronto  
Beverley Matthews, Q.C., Toronto  
Gérard Plourde, Montreal  
V. W. T. Scully, Hamilton  
C. D. Shepard, Toronto

## Directors Emeriti

L. J. Belnap, Montreal  
C. L. Suhr, Oil City, Pennsylvania

## Officers

Charles Hay, President  
C. D. Shepard, Chairman of the Board  
F. D. Aaring, Vice-President  
D. L. Campbell, Vice-President  
E. J. Gallagher, Vice-President  
R. E. Harris, Vice-President  
D. S. Lyall, Vice-President  
J. W. Morgan, Vice-President  
C. G. Mueller, Vice-President  
Dr. H. S. Sutherland, Vice-President  
G. W. K. Macdonald, Q.C., Secretary  
J. C. Phillips, General Counsel  
J. M. Turnbull, Treasurer and Comptroller

## General Managers

R. C. Beal, Crude and Product Supply  
R. W. Cochrane, Transportation  
S. G. Pearson, Production  
J. F. Runnalls, Planning and Co-ordination  
J. L. Stoik, Manufacturing  
C. G. Walker, Marketing

## Head Office

British American Oil Building  
800 Bay Street, Toronto, Ontario

## Marketing Division Offices

Halifax, Nova Scotia; Montreal, Quebec;  
Toronto, Ontario; Calgary, Alberta;  
Vancouver, British Columbia

## Data Centres

Montreal, Quebec; Toronto, Ontario;  
Calgary, Alberta

## Research and Development Centre

Sheridan Park, Ontario

## Exploration and Production

Department headquartered in Calgary, Alberta.  
Zone Offices—Calgary and Edmonton, Alberta;  
Regina, Saskatchewan  
Gas plants—Pincher Creek, Nevis, Gilby, Rimbey and  
Turner Valley, Alberta

## Pipe Lines

Department headquartered in Toronto, Ontario.

### *Operated pipe lines—*

Britamoil Pipe Line Company Limited  
B-A Saskatchewan Pipe Line Limited  
Mid-Saskatchewan Pipeline Co. Ltd.  
Rimbey Pipe Line Co. Ltd.  
Saskatoon Pipe Line Company, Limited  
Valley Pipe Line Company Limited

## Refineries

Montreal East, Quebec; Clarkson, Ontario;  
Brandon, Manitoba; Moose Jaw and Saskatoon,  
Saskatchewan; Calgary and Edmonton, Alberta;  
Kamloops and Port Moody, British Columbia

## Principal Affiliates

### ROYALITE OIL COMPANY, LIMITED

*(97.6 per cent interest)*

An integrated oil company operating in Western Canada.

Head Office: Calgary, Alberta

President: J. L. Valens

### SHAWINIGAN CHEMICALS LIMITED

*(66% per cent interest)*

An industrial chemical organization  
with plants at Shawinigan, St. Maurice,  
Ste. Thérèse, Montreal East and  
Varennnes, Quebec. Products are  
marketed on a world-wide basis.

Head Office: Montreal, Quebec

Chairman: Dr. H. S. Sutherland

President: V. N. Hurd

### SUPERIOR PROPANE LIMITED

*(100 per cent interest)*

A propane distributor.

Head Office: Toronto, Ontario

President: R. G. Samworth

### WESTERN TIRE AND AUTO SUPPLY LIMITED

*(100 per cent interest)*

A retailer of automotive, petroleum and other products in  
Eastern Canada.

Head office: Montreal, Quebec

President: S. J. Sinclair

---

## Registrar

Eastern & Chartered Trust Company, Toronto

## Transfer Agents

Eastern & Chartered Trust Company—Montreal, Toronto  
National Trust Company Limited—Winnipeg, Edmonton, Vancouver  
and by its agent

Canadian Imperial Bank of Commerce—Halifax, Saint John, N.B.,  
Regina

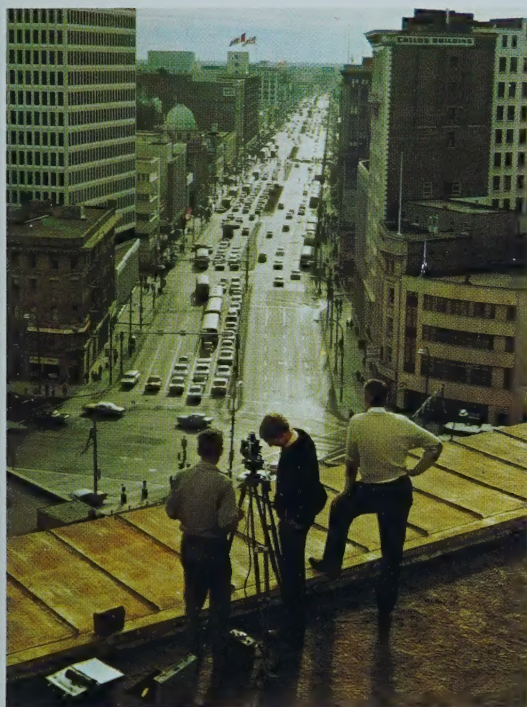
Registrar and Transfer Company—New York

## B-A and Centennial/Expo



expo67

Three major projects are being sponsored by British American during the Centennial Year. A color travel movie, following the historic route of the explorers in a modern spirit, is being distributed through courtesy loans by the Company's film libraries. At Expo 67, Notre Dame Park will provide visitors with a capsule version of Canadian outdoor life with plant and wildlife exhibits. The gateway to this parkland and recreational area will be a reception centre sponsored by B-A. In addition, B-A is participating with a group of other companies in the Pavilion of Economic Progress, which explains the basic economic laws affecting Canadians' present standard of living. Shawinigan Chemicals is also participating at Expo in the joint sponsorship of a "Chemical Kaleidoscope" pavilion. Shareholders are invited to attend these exhibits.



Above: Camera crew "shoots" Portage Avenue in Winnipeg for B-A's Centennial travel movie. Right: Pavilion of Economic Progress and B-A Reception Centre at the entrance to Notre Dame Park, both at Expo 67.

